

Patricia M. French
Senior Attorney



300 Friberg Parkway
Westborough, Massachusetts 01581
(508) 836-7394
(508) 836-7039 (facsimile)
pfrench@nisource.com

July 24, 2006

BY OVERNIGHT DELIVERY AND E-FILE

Mary L. Cottrell, Secretary
Department of Telecommunications and Energy
One South Station
Boston, MA 02110

Re: Bay State Gas Company, D.T.E. 06-31

Dear Ms. Cottrell:

Enclosed for filing, on behalf of Bay State Gas Company ("Bay State"), please find Bay State's responses to the following Information Requests:

From the DTE:

DTE-BSG-1-1	DTE-BSG-1-2	DTE-BSG-1-3	DTE-BSG-1-4
DTE-BSG-1-5	DTE-BSG-1-6	DTE-BSG-1-7	DTE-BSG-1-9
DTE-BSG-1-10	DTE-BSG-1-11	DTE-BSG-1-12	DTE-BSG-1-13
DTE-BSG-1-14			

The response to DTE-BSG-1-8 will be filed as soon as it is available.

Please do not hesitate to telephone me with any questions whatsoever.

Very truly yours,

Patricia M. French

cc: Paul Osborne (DTE)
A. John Sullivan (DTE)
Alexander Cochis, Assistant Attorney General (4 copies)
Charles Harak, Esq. (UWUA)
Nicole Horberg Decter, Esq. (USW)
Service List

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
FIRST SET OF INFORMATION REQUESTS FROM THE DTE
D.T.E. 06-31

Date: July 24, 2006

Responsible: Stephen H. Bryant, President

DTE-BSG-1-1 Refer to Bay State Gas Company, D.T.E. 05-27, at 130 (2005).
Please describe the current status of negotiations, if any, with the
Company's unions concerning the potential outsourcing of its
customer call center in Springfield, Massachusetts.

RESPONSE: The Company has suspended negotiations with its unions
concerning the potential outsourcing of its customer call center in
Springfield, Massachusetts, during the pendency of the instant
proceeding.

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DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
FIRST SET OF INFORMATION REQUESTS FROM THE DTE
D.T.E. 06-31

Date: July 24, 2006

Responsible: Stephen H. Bryant, President

DTE-BSG-1-2 Refer to Bay State Gas Company, D.T.E. 05-27, at 411 (2005).
Should the Company engage in a reduction in force with respect
to customer call support in Springfield, please discuss how such a
reduction in force would affect service quality in Massachusetts.

RESPONSE: Bay State does not believe its ability to meet any of its current
service quality benchmarks would be impeded if the Company
were to modify its employee numbers for any reason (e.g.,
technological advancements, improved workforce efficiency,
relocation of functions, etc.) and more particularly with regard to
its customer call support in Springfield. Bay State has met all of
its service quality performance benchmarks since 2003, and will
take all reasonable steps and undertake all due diligence
necessary to ensure this level of performance continues. Mr.
Bryant was involved in the development of the NiSource RFP that
seeks to change the provision of a number of business functions,
including those provided by the Springfield Contact Center. As a
result of his involvement, both the RFP and resulting NiSource -
IBM Service Agreement include performance standards and
minimum service levels specific to the service quality
requirements mandated by the Department.

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
FIRST SET OF INFORMATION REQUESTS FROM THE DTE
D.T.E. 06-31

Date: July 24, 2006

Responsible: Stephen H. Bryant, President

DTE-BSG-1-3 Refer to Bay State Gas Company, D.T.E. 05-27, at 130 (2005). Should the Company engage in a reduction in force with respect to customer call support in Springfield, how does it propose to return the attendant financial gains to ratepayers?

RESPONSE: Two of the most important elements of Bay State's 10-year PBR Plan are to: (1) create an environment that allows for medium and long-term efficiency planning and business decision-making, and (2) provide a stronger incentive for companies to achieve efficiency gains and significant cost savings through innovation, deployment of productivity-enhancing technology, and other measures. See Exh. DTE 4-40 filed as part of Bay State Gas Company, D.T.E. 05-27, and attached hereto for the Department's convenience as Attachment DTE-BSG-1-3.

An essential element of Bay State's PBR, which ensures ratepayers receive their share of the attendant financial gains associated with the anticipated, but by no means guaranteed, efficiency gains and cost savings, is the Productivity Offset. This Productivity Offset, in turn, consists of three components, including the Consumer Dividend Factor, which is specifically designed to share any financial gains made during the course of the PBR Plan, regardless of whether they occur or not.

Whether the relocation of the Springfield Call Center works to create certain efficiencies intended by a PBR and ensure at the same time optimal customer service, operational flexibility and reasonable Company earnings is a challenge that Bay State expects to pursue and seeks to obtain. Since the PBR addresses sharing, no additional proposal for returning a gain is necessary nor would one be proposed by Bay State under these circumstances.

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
FOURTH SET OF INFORMATION REQUESTS FROM THE D.T.E.
D. T. E. 05-27

Date: May 31, 2005

Responsible: Lawrence R. Kaufmann, Consultant (PBR)

DTE-4-40 Refer to Exh. BSG/LRK-1, at 7-8 and 11-12. Discuss the advantages and disadvantages of a five-year PBR plan versus a ten-year PBR plan for a regulated gas utility like Bay State in terms of the following:
(i) creating an environment that allows for medium and long-term efficiency planning and business decision-making;
(ii) providing a stronger incentive for companies to achieve efficiency gains and significant cost savings through innovation, deployment of productivity-enhancing technology, and other measures;
(iii) reducing the regulatory and administrative burdens of implementation;
and
(iv) exposing the Company to market and/or other risks.

Response: All of the statements in (i) - (iv) above are more likely under a ten-year PBR plan than a five-year plan. That is, compared with a five-year PBR, a ten-year PBR plan term generally creates stronger performance incentives, is more conducive to longer-term planning, reduces regulatory burdens *and* exposes the Company to greater risk. The theoretical merits of a five-year versus a ten-year PBR term therefore depend on the tradeoff between creating strong incentives and minimizing risk or, equivalently, the weights that regulators place on promoting incentives and reducing risk. It should be noted, however, that the Company decided to propose a five-year PBR plan mainly because it believed a five-year term was more consistent with Department precedents, particularly since the most recently approved PBR plan for a gas distributor (Blackstone Gas) had a five-year term.

COMMONWEALTH OF MASSACHUSETTS
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RESPONSE OF BAY STATE GAS COMPANY TO THE
FIRST SET OF INFORMATION REQUESTS FROM THE DTE
D.T.E. 06-31

Date: July 24, 2006

Responsible: Stephen H. Bryant, President

DTE-BSG-1-4 Refer to Exh. BSG-1, at 13-14. Please provide the dates, locations, names of attendees, and substance of any meetings between the current NiSource employees listed on page 14 and the local management of Bay State between January 1, 2003 and 2006 to date.

RESPONSE: Attached as Attachment DTE-BSG-1-4 is an outline of the meetings held as reflected by Mr. Bryant's calendar between March 2004 and June 30, 2006. Mr. Bryant's calendar prior to this date is not readily available. Mr. Bryant also participates in a weekly information sharing call that is hosted by Kathleen O'Leary, Mr. Bryant's direct supervisor. Participants in this weekly call include those individuals that report directly to Ms. O'Leary. In addition, there were numerous other contacts that are not reflected by this system with senior management, according to Mr. Bryant's recollection, but Mr. Bryant has no permanent record of these more informal or ad hoc contacts, because maintaining such information would serve no business purpose.

Meeting Date	Location	Subject	Called by:	Attendees
		Bob Skaggs		
3/16/2004	Telephone Conference	Financial	Bob Skaggs	Bob Skaggs, Steve Bryant, Jeff Grossman, Kathleen O'Leary
4/26/2004	Merrillville, IN	Regulated LDC Issues	Bob Skaggs	Steve Bryant, Carol Fox, Dan Gavito, Joe Kelly, Glen Kettering, Barbara McKay, Mark Maassel, Terry Murphy, Kathleen O'Leary, Jack Partridge, Rebecca Sczudlo, Robert Campbell, Rene Dartez
4/27/2004	Merrillville, IN	Regulated LDC Issues	Bob Skaggs	Steve Bryant, Carol Fox, Dan Gavito, Joe Kelly, Glen Kettering, Barbara McKay, Mark Maassel, Terry Murphy, Kathleen O'Leary, Jack Partridge, Rebecca Sczudlo, Robert Campbell, Rene Dartez
5/18/2004	Westborough, MA	Operations	Bob Skaggs	Kathy Shroyer, Sam Miller, Bob Skaggs, Rene Dartez, Dave Monte, Sharry Gavito, Mike O'Donald
7/8/2004	Columbus, OH	Performance	Bob Skaggs	
10/27/2004	Telephone Conference	Financial	Bob Skaggs	
11/1/2004	Telephone Conference	Regulated LDC Issues	Bob Skaggs	Bob Skaggs, Steve Bryant
11/3/2004	Telephone Conference	Risk Management	Bob Skaggs	Bob Skaggs, Steve Bryant
12/13/2004	Telephone Conference	Leadership	Bob Skaggs	Bob Skaggs, Steve Bryant, LaNette Zimmerman
1/31/2005	Columbus, OH	Communications	Bob Skaggs	Bob Skaggs, Steve Bryant
2/8/2005-2/29/0	Merrillville, IN	Leadership	Bob Skaggs	Steve Bryant, Carol Fox, Dan Gavito, Joe Kelly, Glen Kettering, Barbara McKay, Mark Maassel, Terry Murphy, Kathleen O'Leary, Jack Partridge, Rebecca Sczudlo, Robert Campbell, Rene Dartez, Herb Tate, Tim Tokish
4/15/2005	Telephone Conference	Leadership	Bob Skaggs	Steve Bryant, Bob Skaggs
4/21/2005	Telephone Conference	Financial	Bob Skaggs	Bob Skaggs, Christopher Helms, Edwin Chandrasek, Herb Tate, Jack Partridge, Joe Kelly, Kathleen O'Leary, Mark Maassel, Rene Dartez, Steve Bryant, Terry Murphy
4/29/2005	Telephone Conference	Financial	Bob Skaggs	Bob Skaggs, Mike O'Donnell, Gary Neale
4/29/2005	Telephone Conference	Financial	Kathleen O'Leary	Steve Bryant, Carol Fox, Dan Gavito, Joe Kelly, Mark Maassel, Terry Murphy, Kathleen O'Leary, Jack Partridge
5/18/2005	Telephone Conference	Regulated LDC Issues	Kathleen O'Leary	Kathleen O'Leary, Bob Skaggs, Jeff Baughn, Violet Sistovaris, Jeff Grossman, Rob Campbell, Steve Bryant
6/21/2005	Telephone Conference	Leadership	Bob Skaggs	Bob Skaggs, Steve Bryant, Extensive List
7/28/2005	Telephone Conference	Financial	Bob Skaggs	Bob Skaggs, Mike O'Donnell, Steve Bryant
9/13/2005	Merrillville, IN	Leadership	Bob Skaggs	Bob Skaggs, Kathleen O'Leary, Steve Bryant, Extensive List

10/13/2005	Westborough, MA	Operations	Kathleen O'Leary	Steve Bryant, Charles Moran, Danny Cote, Derek Buchler, Donald Dinunno, Doug Casey, Francisco DaFonte, Joe Ferro, Kara Gray, Marjorie Izzo, Susan Kullberg, Tom Birmingham, Virginia Anthony
10/26/2005	Columbus, OH	Gas Supply	Kathleen O'Leary	Kathleen O'Leary, Bob Skaggs, Jeff Baughn, Violet Sistovaris, Jeff Grossman, Kathleen O'Leary, Barbara McKay
1/31/2006	Telephone Conference	Financial	Bob Skaggs	Bob Skaggs, Steve Bryant, Extensive List
2/28/2006	Telephone Conference	Leadership	Violet Sistovaris	Extensive list
5/3/2006	Telephone Conference	Financial	Bob Skaggs	Extensive List
6/6/2006	Telephone Conference	Leadership	Bob Skaggs	Steve Bryant, Bob Skaggs, Extensive List
David Vajda				
5/20/2004	Telephone Conference	Financial	Kelly Humrichouse	Kelly Humrichouse, Dave Vajda, James Keshian, Kathy Shroyer, Steve Bryant, Vincent Rea
5/24/2004	Telephone Conference	Financial	Steve Bryant	David Vajda, Jia Cai, Stephen Bryant, Vincent Rea
6/22/2006	Telephone Conference	Regulated LDC Issues	Steve Bryant	Steve Bryant, Sherry Gavito
Mike O'Donnell				
3/16/2004	Telephone Conference	Financial	Bob Skaggs	Extensive list
4/29/2005	Telephone Conference	Financial	Bob Skaggs	Extensive List
4/29/2005	Telephone Conference	Financial	Bob Skaggs	Extensive list
7/28/2005	Telephone Conference	Financial	Bob Skaggs	Extensive list
2/28/2006	Telephone Conference	Leadership	Violet Sistovaris	Extensive list
Harris Marple				
5/2/2005	Telephone Conference	Operations	Jenni Leonard	Bill Gresham, Danny Cote, Dave Monte, Edwin Chandrasekar, Harris Marple, Kathleen O'Leary, Kathy Shroyer, Kelly Humrichouse, Mark Katko, Rene Dartez, Stephen Bryant
3/16/2006	Telephone Conference	Operations	Brian Noel	Carol Fox, Danny Cote, Dave Gelbaugh, Greg Slone, Harris Marple, Joe Janicek, Kathleen O'Leary, Michael Watson, Robert Kriner, Stephen Bryant
Jeff Grossman				
3/16/2004	Telephone Conference	Financial	Bob Skaggs	Steve Bryant, Bob Skaggs, Jeff Grossman, Extensive List

3/8/2005	Telephone Conference	Regulated LDC Issues	Robert Horner	Jeff Grossman, Kathleen O'Leary, Mark Tubbs, Robert Krtiner, Steve Bryant, Tom Birmingham, Vince DeVito, Robert Horner
3/28/2005	Telephone Conference	Regulated LDC Issues	Robert Horner	Jeff Grossman, Kathleen O'Leary, Mark Tubbs, Robert Krtiner, Steve Bryant, Tom Birmingham, Vince DeVito, Robert Horner
4/12/2005	Telephone Conference	Regulated LDC Issues	Jeff Grossman	Jeff Grossman, Steve Bryant
4/29/2005	Telephone Conference	Financial	Kathleen O'Leary	Jeff Grossman, Steve Bryant, Kathleen O'Leary, Extensive List
5/18/2005	Telephone Conference	Regulated LDC Issues	Kathleen O'Leary	Steve Bryant, Bob Skaggs, Jeff Grossman, Jeff Baughn, Violet Sistovaris
5/25/2005	Telephone Conference	Regulated LDC Issues	Herb Tate	Steve Bryant, Mark Maassel, Jeff Grossman, Herb Tate
8/2/2005	Telephone Conference	Financial	Steve Gallas	Steve Gallas, Jeff Grossman, Steve Bryant, Paul Newman, Melvin Stasinski, Roger Griffin, C. Kelly, M. Tomasek
2/28/2006	Telephone Conference	Leadership	Violet Sistovaris	Steve Bryant, Jeff Grossman, Extensive List
Gary Pottorff				
3/22/2006	Telephone Conference	Regulated LDC Issues	Steve Bryant	Steve Bryant, Gary Pottorff
Kathleen O'Leary				
2/20/2004	Telephone Conference	Leadership	Myron Hoskins	Steve Bryant, Kathleen O'Leary, Extensive List
2/20/2004	Telephone Conference	Regulated LDC Issues	Dave Monte	Steve Bryant, Kathleen O'Leary, Extensive List
1/10/2005	Telephone Conference	Financial	Dave Monte	Steve Bryant, Kathleen O'Leary, Extensive List
4/28/2005	Telephone Conference	Regulated LDC Issues	Glen Kettering	Chris Helms, Glen Kettering, Jack Patridge, Joe Kelly, Mark Maassel, Steve Bryant, Terry Murphy, Kathleen O'Leary
6/14/2005	Merrillville, IN	Regulated LDC Issues	Kathleen O'Leary	Steve Bryant, Kathleen O'Leary, Extensive List
6/22/2005	Telephone Conference	Regulated LDC Issues	Kathleen O'Leary	Steve Bryant, Kathleen O'Leary, Extensive List
6/23/2005	Telephone Conference	Regulated LDC Issues	Steve Bryant	Kathleen O'Leary, Steve Bryant, Rob Campbell
6/27/2005	Telephone Conference	Regulated LDC Issues	Kathleen O'Leary	Kathleen O'Leary, Steve Bryant, Rob Campbell
6/29/2005	Telephone Conference	Financial	Herb Tate	Bill Gresham, Brian Noel, Danny Cote, Harris Marple, Herb Tate, Kathleen O'Leary, Kathy Shroyer, Mark Ktko, Steve Bryant
7/8/2005	Telephone Conference	Regulated LDC Issues	Steve Bryant	Gary Kruse, Kathleen O'Leary, Patricia French, Stan Sagun, Steve Bryant
8/10/2005	Telephone Conference	Regulated LDC Issues	Dean Bruno	Kathleen O'Leary, Steve Bryant

8/12/2005	Westborough	Leadership	Steve Bryant	Steve Bryant, Charles Moran, Danny Cote, Derek Buchler, Donald Dinunno, Doug Casey, Francisco DaFonte, Joe Ferro, Kara Gray, Marjorie Izzo, Susan Kullberg, Tom Birmingham, Virginia Anthony, Kathleen O'Leary
9/1/2005	Telephone Conference	Regulated LDC Issues	Same	Kathleen O'Leary, Steve Bryant
9/13/2005	Merrillville, IN	Regulated LDC Issues	Kathleen O'Leary	Kathleen O'Leary, Steve Bryant, Extensive List
10/6/2005	Telephone Conference	Regulated LDC Issues	Kathleen O'Leary	Barbara McKay, Jack Partridge, Karl Brack, Kathleen O'Leary, Lisa Smith, Mark Maassel, Steve Bryant, Steve Jablonski, Terry Murphy
10/13/2005	Westborough	Operations	Kathleen O'Leary	Steve Bryant, Charles Moran, Danny Cote, Derek Buchler, Donald Dinunno, Doug Casey, Francisco DaFonte, Joe Ferro, Kara Gray, Marjorie Izzo, Susan Kullberg, Tom Birmingham, Virginia Anthony, Kathleen O'Leary
10/18/2005	Telephone Conference	Regulated LDC Issues	Kathleen O'Leary	Bill Gresham, Brian Noel, Carol Fox, Danny Cote, Joe Janicek, Kathleen O'Leary, Kathy Shroyer, Marty Poulin, Mike Huwar, Patty Dyer, Steve Bryant
10/26/2005	Columbus, OH	Gas Supply	Kathleen O'Leary	Kathleen O'Leary, Steve Bryant, Extensive List
12/19/2005	Merrillville, IN	Regulated LDC Issues	Kathleen O'Leary	Kathleen O'Leary, Steve Bryant, Extensive List
12/20/2005	Telephone Conference	Leadership	Joanne Bronikowski	Frank Shambo, Kathleen O'Leary, Kelly Humrichouse, Leigh Chaney, Steve Bryant, Suzanne Surface, Joanne Bronikowski
1/18/2006	Nixon Peabody, Boston	Regulated LDC Issues	Steve Bryant	Steve Bryant, Kathleen O'Leary, Extensive List
3/23/2006	Telephone Conference	Leadership	Kathleen O'Leary	Frank Shambo, Kathleen O'Leary, Kelly Humrichouse, Leigh Chaney, Steve Bryant, Suzanne Surface, Joanne Bronikowski
4/19/2006	Columbus, OH	Financial	Kathleen O'Leary	Brian Noel, Carl Levander, Carol Fox, Jack Partridge, Joe Kelly, Kathleen O'Leary, Kelly Humrichouse, Kristi Figg, Linda Miller, Mark Maassel, Michael Watson, Robert Kriner, Steve Bryant, Terry Murphy
5/10/2006	Telephone Conference	Leadership	Joanne Bronikowski	Frank Shambo, Kathleen O'Leary, Kelly Humrichouse, Leigh Chaney, Steve Bryant, Suzanne Surface, Joanne Bronikowski

5/24/2006	Westborough	Regulated LDC Issues	Steve Bryant	Steve Bryant, Charles Moran, Danny Cote, Derek Buchler, Donald Dinunno, Doug Casey, Francisco DaFonte, Joe Ferro, Kara Gray, Marjorie Izzo, Susan Kullberg, Tom Birmingham, Virginia Anthony, Kathleen O'Leary, Glen Kettering
5/26/2006	Telephone Conference	Leadership	Kathleen O'Leary	Frank Shambo, Kathleen O'Leary, Kelly Humrichouse, Leigh Chaney, Steve Bryant, Suzanne Surface, Joanne Bronikowski

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RESPONSE OF BAY STATE GAS COMPANY TO THE
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D.T.E. 06-31

Date: July 24, 2006

Responsible: Stephen H. Bryant, President

DTE-BSG-1-5 Refer to Exh. BSG-1, at 15. Please provide all studies, analyses, etc. supporting the Company's contention that the services Bay State acquires from NCSC are less costly than the same services available in the private market.

RESPONSE: Please see Attachment DTE-BSG-1-5, which was originally filed in D.T.E. 05-27 as Attachment AG-3-19 (c), Bay State's 2004 Affiliate Company Charges Market Cost Comparison. As the tables on page 17 of Attachment DTE-BSG-1-5 demonstrate, Bay State's use of NCSC for legal, accounting, managerial and engineering services is less costly than if Bay State procured these services on its own behalf from third-party vendors in the market. Mr. Bryant has no reason to believe that a current (2006) analysis of these pricing attributes would provide any discernable differences, and so he believes the conclusions in Attachment DTE-BSG-1-5 are still appropriate.

Bay State Gas Company
2004 Affiliate Company Charges Market Cost Comparison

Bay State Gas Company 2004 Affiliate Company Charges Market Cost Comparison

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I – Executive Summary

Purpose Of This Study

This study was undertaken to determine if the services provided to Bay State Gas Company (“BSG”) by affiliate companies during 2004 were performed at the lower of cost or market. NiSource Corporate Services Company (“NCSC”) provides BSG with management, professional and technical services. The cost of these services were compiled and compared to the cost of outside providers of these similar services. Outside providers against which NCSC costs were benchmarked included attorneys, certified public accountants, professional engineers and management consultants.

Study Conclusion

Outside service providers (i.e., market) were found to be 107% more expensive than NCSC. If the services provided by NCSC during 2004 had been outsourced to outside providers, BSG would have incurred an additional \$26.8 million in expenses. This study subjected 84% of the applicable 2004 NCSC charges to a market cost comparison.

Based on this study’s results, it is possible to conclude that BSG’s 2004 affiliate company charges are priced at the lower of cost or market.

II - Background

Overview Of BSG Affiliate Company Services

NCSC provides the following types of services to NiSource operating companies, including BSG:

- Accounting
- Payroll
- Auditing
- Employee benefits
- Planning
- Risk management
- Tax
- Legal
- Environmental
- Financial
- Information technology
- Telecommunications
- General advisory services.

NCSC Billing of Affiliate Companies

NCSC is regulated by the SEC under the Public Utility Holding Company Act of 1935 ("PUCHA") and therefore follows the SEC Uniform System of Accounts for Mutual Service Companies and Subsidiary Service Companies. As required by the SEC, NCSC uses a job order system to identify and collect costs that apply to and are appropriately billed to affiliated companies. Each job order details the affiliate(s) to be charged for the specified services and the basis for allocating charges when more than one affiliate receives the same service. Allocations among affiliates are made only if it is impractical to charge an affiliate directly.

NCSC is obligated to bill affiliates at cost in accordance with SEC Rules 90 and 91 under PUHCA. The service agreement between BSG and NCSC stipulates that all services will be provided at cost.

Two types of bills are issued to affiliates: contract billing and convenience billing. Contract billing, which is identified by job order, represents the labor and expenses billed to an affiliate. These are costs incurred by NCSC to render services at the affiliate's request. Contract charges may be direct or allocated depending on the nature of the expense.

Convenience billings are rendered when NCSC makes payment to one vendor for goods or services that benefit more than one affiliate. The convenience bill generally represent outside services that are routinely performed on behalf of

affiliates on an ongoing basis, for which each affiliate is billed their proportional share.

A 2004 service agreement is the document that controls the relationship between NCSC and BSG.

Charges From Affiliates

BSG's charges from affiliates were analyzed to determine which were service-related and could be subjected to a market cost comparison. During 2004, two affiliates charged BSG. As shown in the table below, NiSource Inc. billed BSG approximately \$10.5 million for interest on long and short term loans extended to BSG. These charges are capital-related and not service-related, thus were excluded from this market cost comparison. The second affiliate, NCSC, charged BSG for convenience billings (\$17.3 million) and payroll funding (\$36.3 million), both of which are simply a pass-through of expenses and not associated with the provision of service.

	2004 Charges To BSG	Market Cost Testing Disposition		
		Involves A Service?	Market Data Available?	Included In This Study?
NiSource Inc.				
Interest on Long Term Debt	\$ 6,918,159	No	na	No
Interest on Short Term Debt	\$ 3,617,850	No	na	No
NiSource Corporate Services Company				
Convenience Billing	\$ 17,273,372	No	na	No
Payroll Funding	\$ 36,304,152	No	na	No
Contract Billings for Corporate Services	\$ 24,941,606	Yes	Yes	Yes
Total 2004 Affiliate Company Billings	\$ 89,055,138			

NCSC's contract billings for corporate services (\$24.9 million in 2004) are for management, professional and technical services rendered by NSCS personnel. Market cost information is available for potential outside providers of these services to BSG. Thus, it is possible to compare NCSC's cost of services to those of outside providers. This study converts NCSC's 2004 corporate services charges to per hour costs and compares those to the costs per hour charged by outside providers.

III – NiSource Corporate Services Company Market Cost Comparison

Comparison Methodology

NCSC's 2004 corporate services-related billings to BSG are market tested by comparing the cost per hour for NCSC services to those of outside service providers to whom these duties could be assigned.

The first step was to determine which types of outside providers could assume Service Company services. Based on the nature of these services it was determined that the following outside service providers could perform the categories of services indicated.

- Attorneys - corporate secretarial and legal services
- Certified Public Accountants - accounting, finance, information systems and rates and regulatory
- Professional Engineers – engineering and operations services
- Management Consultants - executive and administrative management, risk management services, human resources and communications services

The next step was to calculate NCSC's hourly rate for each of the four outside service provider categories, based on the dollars and hours charged to BSG during the 12-months ended December 31, 2004.

Hourly billing rates for outside service providers were next determined using information from pertinent surveys.

Finally, the NCSC's average cost per hour was compared to the average cost per hour for outside providers.

NCSC Hourly Rates

The first step in determining NCSC's hourly rates is to determine the appropriate expenses to be included in the calculation. As shown below, certain NCSC charges were excluded from the hourly rate calculations. Excluded cost elements are charges that are, in effect, already outsourced (outside services) or items that an outside provider would not typically recover in their hourly rates (travel expenses). Two departments were excluded from the market test. The Retail Services Business Center (9650) provides call center services, which are not generally performed by any of the four professional service providers included in this study. Capital Labor (9999) charged BSG a relatively small amount and was not market tested because it too is not a service performed by one of the four outside providers.

2004 Total Contract Billings from NCSC	\$ 24,941,606
Less: Excludable Cost Elements	
3100 - Outside Consulting	\$ (1,503,901)
3200 - Outside Other	\$ (983,004)
3300 - Outside Legal	\$ (656,867)
3400 - Outside Audit	\$ (12,059)
5032/5069 - Travel Expenses	\$ (522,824)
9894 - Income Taxes	\$ 83,907
9895 - Deferred Income Taxes	\$ 6,919
Less: Excludable Departments:	
9650 - Retail Services Business Center	\$ (437,406)
9999 - Capital Labor	\$ 38,602
2004 Testable Contract Billings from NCSC (A)	<u>\$ 20,954,972</u>
Percent of Total Subject To Market Cost Comparison	84%

Note A: This total breaks down as following for later analysis:

Service-Related Charges	\$ 19,055,647
Overhead-Related Charges	\$ 1,899,325
2004 Testable Contract Billings from NCSC	<u>\$ 20,954,972</u>

The next step was to assign NCSC's service-related charges to the four outside service provider cost pools—attorney, certified public accountant, engineer and management consultant. Among other things, NCSC assigns a “department” to all affiliate charges. Based on the nature of services performed by these departments, NCSC's charges were assigned to the four outside provider cost pools, as shown in Exhibit 1.

Exhibit 2 shows the assignment of staff hours by department to the four outside service provider cost pools. It should be noted that only exempt personnel hours are included in Exhibit 2 because outside providers sometimes do not charge clients for administrative/secretarial support (i.e., non-exempt staff). Instead, they recover the cost of non-exempt staff through the hourly rates of the firm's professionals. Some outside providers bill customers for non-exempt personnel, but this study chose to be conservative in this regard. By excluding non-exempt hours from the hourly rate denominator, there are fewer hours to divide into the cost pool. Consequently, NCSC's hourly rates are somewhat higher using this approach.

Exhibit 1
Page 1 of 2

Bay State Gas Company
Outside Provider Cost Pools For 2004 NCSC Contract Billings Charges

Department	Outside Provider				Total
	Attorney	Certified Public Accountant	Professional Engineer	Mgmt Consultant	
0200 - Payroll Services		\$ 373,098			\$ 373,098
0600 - Consolidated Financial Reporting		\$ 222,250			\$ 222,250
0700 - Insurance				\$ 43,047	\$ 43,047
0800 - Legal	\$ 610,932				\$ 610,932
0900 - Finance and Strategy		\$ 811,869			\$ 811,869
1000 - Consolidated Taxes		\$ 237,472			\$ 237,472
1200 - NIE Financial Planning		\$ 362			\$ 362
1300 - Regulated Revenue Management				\$ 101,910	\$ 101,910
1400 - Credit Risk Management				\$ 34,983	\$ 34,983
1500 - Environmental, Health & Safety			\$ 339,491		\$ 339,491
1600 - Audit		\$ 322,446			\$ 322,446
1800 - Corporate Secretary	\$ 26,460				\$ 26,460
1900 - Gas Supply			\$ 2,108,050		\$ 2,108,050
2000 - Nominations			\$ 21		\$ 21
2100 - ESS Administration			\$ 997		\$ 997
2300 - Corporate Communications				\$ 219,999	\$ 219,999
2700 - Corporate Human Resources				\$ 123,785	\$ 123,785
2800 - Employee Information Services		\$ 180,352			\$ 180,352
2810 - OD/HRIS Exec / Organization Dev				\$ 72,957	\$ 72,957
2900 - Total rewards		\$ 165,480			\$ 165,480
3010 - Call Center Administration				\$ 40,069	\$ 40,069
3020 - Performance Solutions		\$ 126,474			\$ 126,474
3030 - Performance Management		\$ 109,980			\$ 109,980
3060 - Market Research				\$ (30)	\$ (30)
3100 - Distribution Communications				\$ 210,167	\$ 210,167
3300 - External Affairs				\$ 803,908	\$ 803,908
3400 - NIE Finance		\$ 15,242			\$ 15,242
5000 - Infrastructure Design		\$ 167,757			\$ 167,757
5290 - Operations			\$ 209,395		\$ 209,395
5300 - Revenue Transactions				\$ 185,120	\$ 185,120
5310 - Technical Operations			\$ 571,489		\$ 571,489
5330 - RCT				\$ 84,041	\$ 84,041
5340 - Logistics			\$ 40,652		\$ 40,652
5350 - ED Operations			\$ 331		\$ 331
5360 - COH Transfer			\$ 258,906		\$ 258,906
5400 - NIE Operations			\$ 1		\$ 1
5500 - Corporate Financial Planning		\$ 65,733			\$ 65,733
5700 - Governmental Affairs				\$ 26,333	\$ 26,333
5800 - Pipeline Accounting		\$ 3,809			\$ 3,809

Exhibit 1
Page 2 of 2

Bay State Gas Company
Outside Provider Cost Pools For 2004 NCSC Contract Billings Charges

Department	Outside Provider				Total
	Attorney	Certified Public Accountant	Professional Engineer	Mgmt Consultant	
5900 - Accounting		\$ 761,540			\$ 761,540
6100 - Transaction Services Accounting		\$ 90,434			\$ 90,434
6300 - Transaction Services Finance		\$ 28,435			\$ 28,435
6400 - Executive				\$ 366,271	\$ 366,271
6600 - Treasury		\$ 109,986			\$ 109,986
6700 - Accounts Payable		\$ 227,214			\$ 227,214
6800 - Corporate Development Operations				\$ 22,979	\$ 22,979
6900 - Indiana - Executive				\$ 864	\$ 864
7000 - Operations Strategy				\$ 34,058	\$ 34,058
7010 - CIO				\$ 173,460	\$ 173,460
7110 - Mainframe		\$ 1,321,335			\$ 1,321,335
7120 - Distributed Computing		\$ 250,897			\$ 250,897
7130 - Database Administration		\$ 171,516			\$ 171,516
7210 - Security and PMO		\$ 30,086			\$ 30,086
7220 - Security		\$ 55,799			\$ 55,799
7230 - PMO		\$ 73,096			\$ 73,096
7300 - Asset & Accounting Management		\$ 612,188			\$ 612,188
7410 - Corporate App Dev		\$ 44,490			\$ 44,490
7420 - ERP		\$ 110,569			\$ 110,569
7430 - Finance, Acct'g, & HR		\$ 289,603			\$ 289,603
7440 - Supply Chain / Decision Support		\$ 111,973			\$ 111,973
7510 - Technology & Infrastructure		\$ 129,534			\$ 129,534
7520 - Infrastructure Support - 2		\$ 600,063			\$ 600,063
7530 - Infrastructure Support		\$ 461,369			\$ 461,369
7610 - Help Desk		\$ 113,559			\$ 113,559
7620 - Enterprise Monitoring		\$ 179,446			\$ 179,446
7630 - Infrastructure Applications		\$ 242,735			\$ 242,735
7710 - Customer Care		\$ 126,202			\$ 126,202
7720 - On-line & Cash Management		\$ 384,298			\$ 384,298
7730 - Billing & CIS User Support		\$ 177,098			\$ 177,098
7740 - Contact Center Technologies		\$ 79,795			\$ 79,795
7810 - Work Mgt & Operations		\$ 79,728			\$ 79,728
7820 - End User Support		\$ 2,811			\$ 2,811
7830 - Work Management		\$ 195,919			\$ 195,919
7840 - Gas Management		\$ 345,036			\$ 345,036
7850 - Real Time		\$ 501,988			\$ 501,988
8000 - Regulatory		\$ 425,828			\$ 425,828
8300 - Investor Relations				\$ 49,816	\$ 49,816
8500 - New Business Processes				\$ 40,140	\$ 40,140
8600 - Strategic Procurement & Analysis			\$ 165,338		\$ 165,338
8700 - Materials & Supplies			\$ 199,556		\$ 199,556
8900 - Security				\$ 55,394	\$ 55,394
9100 - HR Support				\$ 526,349	\$ 526,349
9600 - Retail Services				\$ 171,514	\$ 171,514
Total	\$ 637,393	\$ 11,136,894	\$ 3,894,225	\$ 3,387,135	\$ 19,055,647

Exhibit 2
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Bay State Gas Company
Outside Provider Hour Pools For 2004 NCSC Contract Billings Charges

Department	Outside Provider				Total
	Attorney	Certified Public Accountant	Professional Engineer	Mgmt Consultant	
0200 - Payroll Services		11,841			11,841
0600 - Consolidated Financial Reporting		4,443			4,443
0700 - Insurance				870	870
0800 - Legal	9,963				9,963
0900 - Finance and Strategy		17,906			17,906
1000 - Consolidated Taxes		5,040			5,040
1200 - NIE Financial Planning		8			8
1300 - Regulated Revenue Management				690	690
1400 - Credit Risk Management				501	501
1500 - Environmental, Health & Safety			6,518		6,518
1600 - Audit		6,085			6,085
1800 - Corporate Secretary	434				434
1900 - Gas Supply			42,591		42,591
2000 - Nominations			-		-
2100 - ESS Administration			-		-
2300 - Corporate Communications				5,303	5,303
2700 - Corporate Human Resources				1,083	1,083
2800 - Employee Information Services		4,278			4,278
2810 - OD/HRIS Exec / Organization Dev				1,328	1,328
2900 - Total rewards		3,494			3,494
3010 - Call Center Administration				401	401
3020 - Performance Solutions		3,869			3,869
3030 - Performance Management		3,428			3,428
3060 - Market Research				-	-
3100 - Distribution Communications				2,906	2,906
3300 - External Affairs				13,345	13,345
3400 - NIE Finance		261			261
5000 - Infrastructure Design		2,104			2,104
5290 - Operations			3,423		3,423
5300 - Revenue Transactions				3,819	3,819
5310 - Technical Operations			11,517		11,517
5330 - RCT				1,541	1,541
5340 - Logistics			783		783
5350 - ED Operations			-		-
5360 - COH Transfer			3,100		3,100
5400 - NIE Operations			-		-
5500 - Corporate Financial Planning		1,082			1,082
5700 - Governmental Affairs				275	275
5800 - Pipeline Accounting		106			106

Exhibit 2
Page 2 of 2

Bay State Gas Company
Outside Provider Hour Pools For 2004 NCSC Contract Billings Charges

Department	Outside Provider				Total
	Attorney	Certified Public Accountant	Professional Engineer	Mgmt Consultant	
5900 - Accounting		21,400			21,400
6100 - Transaction Services Accounting		2,620			2,620
6300 - Transaction Services Finance		676			676
6400 - Executive				1,583	1,583
6600 - Treasury		1,897			1,897
6700 - Accounts Payable		8,475			8,475
6800 - Corporate Development Operations				344	344
6900 - Indiana - Executive				-	-
7000 - Operations Strategy				555	555
7010 - CIO				1,842	1,842
7110 - Mainframe		5,457			5,457
7120 - Distributed Computing		6,032			6,032
7130 - Database Administration		2,677			2,677
7210 - Security and PMO		686			686
7220 - Security		971			971
7230 - PMO		1,868			1,868
7300 - Asset & Accounting Management		2,364			2,364
7410 - Corporate App Dev		853			853
7420 - ERP		1,895			1,895
7430 - Finance, Acct'g, & HR		4,416			4,416
7440 - Supply Chain / Decision Support		1,817			1,817
7510 - Technology & Infrastructure		1,684			1,684
7520 - Infrastructure Support - 2		14,237			14,237
7530 - Infrastructure Support		12,040			12,040
7610 - Help Desk		3,670			3,670
7620 - Enterprise Monitoring		5,019			5,019
7630 - Infrastructure Applications		3,627			3,627
7710 - Customer Care		917			917
7720 - On-line & Cash Management		9,387			9,387
7730 - Billing & CIS User Support		4,289			4,289
7740 - Contact Center Technologies		1,838			1,838
7810 - Work Mgt & Operations		1,591			1,591
7820 - End User Support		69			69
7830 - Work Management		4,551			4,551
7840 - Gas Management		8,310			8,310
7850 - Real Time		12,852			12,852
8000 - Regulatory		9,767			9,767
8300 - Investor Relations				634	634
8500 - New Business Processes				544	544
8600 - Strategic Procurement & Analysis			2,803		2,803
8700 - Materials & Supplies			4,863		4,863
8900 - Security				922	922
9100 - HR Support				9,428	9,428
9600 - Retail Services				2,866	2,866
Total	10,397	221,896	75,598	50,780	358,671

Within the total 2004 NCSC charges are overhead-related items associated with sustaining NCSC personnel. Most of these expenses are depreciation and rent on various NCSC facilities and equipment. The 2004 amounts by department are shown below. Since these expenses would also be incurred by outside service providers, it is necessary to add them into the NCSC cost pools.

Department	2004 Charges
0500 - Aviation Services	150,445
0710 - Insurance - Premiums	140,411
4200 - General	407,037
4700 - Facilities Management	522,720
4900 - Real Estate Management	41,580
5120 - Corporate Telecom	205,211
8700 - Materials & Services	113,672
8800 - Fleet Management	318,249
Total	1,899,325

Based on the assignment of expenses and hours to outside provider categories, NCSC's 2004 equivalent cost per hour is calculated below.

NCSC Hourly Rates					
	Attorney	Certified Public Acct	Professional Engineer	Mgmt Consultant	Total
Service-Related Charges	\$ 637,393	\$ 11,136,894	\$ 3,894,225	\$ 3,387,136	\$ 19,055,647
Overhead Expenses (A)	\$ 63,531	\$ 1,110,042	\$ 388,147	\$ 337,604	\$ 1,899,325
Cost Pool Total	\$ 700,923	\$ 12,246,936	\$ 4,282,372	\$ 3,724,741	\$ 20,954,972
Hours	10,397	221,896	75,598	50,780	358,671
Average Hourly Rate	\$ 67	\$ 55	\$ 57	\$ 73	

Note A: These expenses are assigned to the outside provider categories prorata based on the "direct" expenses as calculated below.

	Attorney	Certified Public Acct	Professional Engineer	Mgmt Consultant	Total
Service-Related Charges	\$ 637,393	\$ 11,136,894	\$ 3,894,225	\$ 3,387,136	\$ 19,055,647
Percent of Cost Pool Total	3.3%	58.4%	20.4%	17.8%	100.0%
Allocation Of Overhead Expenses	\$ 63,531	\$ 1,110,042	\$ 388,147	\$ 337,604	\$ 1,899,325

Outside Service Provider Hourly Rates

The next step in the cost comparison was to calculate the average billing rates for each type of outside service provider. The source of this information and the determination of the average rates are described in the paragraphs that follow.

Attorneys

The cost per hour for attorneys was developed from an annual survey conducted by the Massachusetts Lawyers Weekly of larger law firms in Massachusetts. These are the firms that BSG would look to in lieu of support from NCSC attorneys. The survey includes rates that were in effect at December 31, 2003. The 2003 average rate was escalated to June 30, 2004—the year's midpoint. The law firms that provided their rates are listed in Exhibit 3 where an average hourly rate is calculated.

Certified Public Accountants

The average hourly rate for Massachusetts certified public accountants was developed from a 2004 survey performed by the American Institute of Certified Public Accountants (AICPA). Hourly rates in the AICPA survey are the average of firms in Massachusetts.

The average hourly rate was calculated for a set of typical accountant positions, as shown in Exhibit 4. Using an assumed percent of time on a typical assignment, a weighted average hourly rate was then calculated. This survey covered hourly rates in effect during 2003, thus they had to be escalated to June 30, 2004—the year's midpoint.

Professional Engineers

BSG provided hourly rate information for several engineering firms that are periodically used by the company when outside engineering services are required. As shown in Exhibit 5, an average rate was developed for each engineering position. Then, using a typical percentage mix by position for a typical engineering project, a weighted average cost per hour was calculated.

Management Consultants

The cost per hour for management consultants was developed from the 2004 annual survey performed by the Association of Management Consulting Firms—an industry trade organization. The first step in the calculation, presented in Exhibit 6, was to determine an average rate by consultant position level. From these rates, a single weighted average hourly rate was calculated based upon the percent of time that is typically applied to a consulting assignment by each consultant position level. This survey includes rates that were in effect during 2003 for firms in the United States. Consultants typically do not limit their practice to any one region and must travel to a client's location. Thus, the U.S. national average is appropriate for comparison. The 2003 average rate was escalated to June 30, 2004—the year's midpoint.

Exhibit 3

Bay State Gas Company
2004 Billing Rates Of Massachusetts Attorneys

Billing rates as of December 31, 2003 (Note A)							
Firm	Mass. Location	Number Of Mass. Lawyers	Billing Rate Range				
			Associate		Partner		Avg
			Low	High	Low	High	
Nixon Peabody	Boston	156	\$ 200	\$ 410	\$ 370	\$ 560	\$ 385
Holland & Knight	Boston	127	\$ 215	\$ 375	\$ 325	\$ 565	\$ 370
Sullivan Worcester	Boston	116	\$ 210	\$ 450	\$ 360	\$ 595	\$ 404
Edwards & Angell	Boston	90	\$ 185	\$ 390	\$ 325	\$ 600	\$ 375
Fish & Richardson	Boston	85	\$ 220	\$ 385	\$ 385	\$ 640	\$ 408
Burns & Levinson	Boston	84	\$ 150	\$ 260	\$ 275	\$ 450	\$ 284
Hinckley, Allen & Snyder	Boston	53	\$ 160	\$ 265	\$ 260	\$ 475	\$ 290
Prince, Lobel, Glovsky & Tye	Boston	50	\$ 185	\$ 300	\$ 325	\$ 425	\$ 309
Murtha Cullina	Boston	39	\$ 135	\$ 405	\$ 275	\$ 450	\$ 316
Piper Rudnick	Boston	35	\$ 215	\$ 370	\$ 400	\$ 580	\$ 391
Bromberg & Sunstein	Boston	33	\$ 210	\$ 360	\$ 375	\$ 595	\$ 385
Lawson & Weitzen	Boston	30	\$ 125	\$ 225	\$ 200	\$ 350	\$ 225
Eckert, Seamans, Cherin & Mellott	Boston	24	\$190		\$450		\$ 320
LeBoeuf, Lamb, Greene & MacRae	Boston	23	\$ 235	\$ 385	\$ 410	\$ 550	\$ 395
Cain, Hibbard, Myers & Cook	Pittsfield	22	\$ 125	\$ 200	\$ 230	\$ 325	\$ 220
Cushing & Dolan	Boston	22	\$210		\$295		\$ 253
Marcus, Errico, Emmer & Brooks	Braintree	21	\$ 170	\$ 230	\$ 260	\$ 325	\$ 246
Barron & Stadfeld	Boston	20	\$ 160	\$ 230	\$ 240	\$ 350	\$ 245
Overall Average							\$ 323
<u>Escalation to Mid-Point of Year - June 30, 2004 (Note B)</u>							
CPI at December 31, 2003							184.3
CPI at June 30, 2004							189.7
Inflation/Escalation							5.4
Billing Rate At June 30, 2004							\$ 341

Note A: source is Massachusetts Lawyers Weekly, April 26, 2004

Note B: source is US Bureau of Labor Statistics (<ftp://ftp.bls.gov/pub/special.requests/cpi/cpi.ai.txt>)

Exhibit 4

Bay State Gas Company
2004 Billing Rates Of Massachusetts Certified Public Accountants

A. Calculation of Average Hourly Billing Rate by Public Accounting Position Survey billing rates were those in effect at December 31, 2003 (Note A)				
Type of Firm	Average Hourly Billing Rate (Note A)			
	Staff Accountant	Senior Accountant	Manager	Partner
Larger Firms	\$ 78	\$ 107	\$ 139	\$ 224
Medium-Sized Firms	\$ 67	\$ 100	\$ 127	\$ 171
Average Hourly Rate	\$ 72	\$ 104	\$ 133	\$ 198
B. Calculation of Overall Average Accountant Billing Rate Based Upon Typical Distribution of Time on an Engagement				
Average Hourly Billing Rate (From Above)	Staff Accountant	Senior Accountant	Manager	Partner
	\$ 72	\$ 104	\$ 133	\$ 198
Typical Percent of Time Spent on an Accounting Assignment	30%	30%	20%	20%
	\$ 22	\$ 31	\$ 27	\$ 40
Escalation to Mid-Point of Year - June 30, 2004 (Note B)				
CPI at December 31, 2003				184.3
CPI at June 30, 2004				189.7
Inflation/Escalation				5.4%
Estimated Average Hourly Billing Rate For CPAs At June 30, 2004				\$ 125

Note A: source is AICPA's 2004 National MAP Survey Report

Note B: source is US Bureau of Labor Statistics (<ftp://ftp.bls.gov/pub/special.requests/cpi/cpiat.txt>)

Exhibit 5

Bay State Gas Company
2004 Billing Rates Of Massachusetts Engineers

Note: Billing rates were those in effect in 2004

A. Calculation of Average Hourly Rate by Engineer Position

Name of Firm	Average Hourly Billing Rates			
	CAD Drafter Engineer Tech Inspector	Engineer Project Engineer Environ Scientist Sr. Inspector	Senior Engineer Project Manager	Consulting Engineer Principal Engineer
Coler and Colantonio	\$50 (\$45-\$55)	\$60 (\$55-\$65)	\$88 (\$80-\$95)	\$100
CHI Engineering	\$61 (\$50-\$70)	\$85 (\$80-\$90)	\$95	\$120 (\$100-\$140)
Northstar Industries	\$65	\$74	\$97 (\$90-\$100)	\$143
Shaw Environmental	\$57 (\$52-\$62)	\$87 (\$70-\$103)	\$114 (\$110-\$118)	\$137 (\$127-\$146)

B. Calculation of Overall Average Engineering Hourly Billing Rate

	CAD Drafter Engineer Tech Inspector	Engineer Project Engineer Environ Scientist Sr. Inspector	Senior Engineer Project Manager	Consulting Engineer Principal Engineer	Weighted Average
	Average Hourly Billing Rate (From Above)				
Average Hourly Billing Rate (From Above)	\$58	\$77	\$98	\$125	
Typical Percent of Time on an Engineering Assignment	30%	35%	25%	10%	
	\$17	\$27	\$25	\$12	\$81

Source: Information provided by Bay State Gas Company

Exhibit 6

Bay State Gas Company
2004 Billing Rates Of U.S. Management Consultants

A. Calculation of Average Hourly Billing Rate by Consultant Position

Survey billing rates were those in effect in 2003 (Note A)

Average	Average Hourly Rates (Note A)				
	Entry-Level Consultant	Associate Consultant	Senior Consultant	Junior Partner	Senior Partner
	\$ 143	\$ 164	\$ 216	\$ 263	\$ 318

B. Calculation of Overall Average Hourly Billing Rate Based on a Typical Distribution of Time on an Engagement

Average Hourly Billing Rate (from above)	Entry-Level Consultant	Associate Consultant	Senior Consultant	Junior Partner	Senior Partner	Weighted Average
	\$ 143	\$ 164	\$ 216	\$ 263	\$ 318	
Typical Percent of Time Spent on a Consulting Project	30%	30%	20%	10%	10%	
	\$ 43	\$ 49	\$ 43	\$ 26	\$ 32	
						\$ 193

Escalation to June 30, 2003 (Note B)

CPI at December 31, 2003	184.3
CPI at June 30, 2004	189.7
Inflation/Escalation	5.4
Billing Rate At June 30, 2004	\$ 204

Note A: source: "Operating Ratios For Management Consulting Firms, 2004 Edition" Association of Management Consulting Firms

Note B: source is US Bureau of Labor Statistics (<ftp://ftp.bls.gov/pub/special.requests/cpi/cpiat.txt>)

NCSC Versus Outside Provider Cost Comparison

As shown in the table below, NCSC's costs per hour are considerably lower than those of outside providers.

Service Provider	2004 Cost/Hour		
	NCSC	Outside Providers	Difference-- NCSC Greater(Less) Than Outside
Attorney	\$ 67	\$ 341	\$ (274)
Certified Public Accountant	\$ 55	\$ 125	\$ (70)
Professional Engineer	\$ 57	\$ 81	\$ (24)
Management Consultant	\$ 73	\$ 204	\$ (131)

As calculated below, based on these cost per hour differentials and the number of hours that NCSC billed BSG during 2004, the services would cost over \$26,800,000 more from outside providers. This is 107% more (\$26,809,864 / \$24,941,606 = 107%) than NCSC's total 2004 contract billings to BSG.

Service Provider	2004 Cost Difference		
	Hourly Rate Difference-- NCSC Greater(Less) Than Outside	NCSC Hours Charged	Dollar Difference
Attorney	\$ (274)	10,397	\$ (2,844,328)
Certified Public Accountant	\$ (70)	221,896	\$ (15,490,116)
Professional Engineer	\$ (24)	75,598	\$ (1,841,055)
Management Consultant	\$ (131)	50,780	\$ (6,634,364)
Net NCSC Less Than Outside Providers			\$ (26,809,864)

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
FIRST SET OF INFORMATION REQUESTS FROM THE DTE
D.T.E. 06-31

Date: July 24, 2006

Responsible: Stephen H. Bryant, President

DTE-BSG-1-6 Refer to BSG-1, at 17. Please provide all studies, analyses, etc. supporting the Company's contention that the acquisition of Columbia Energy Group resulted in stable prices for the Company's ratepayers.

RESPONSE: Mr. Bryant's comment on lines 6-8 of Exhibit BSG-1, at 17 related to price stability for its customers following NiSource's acquisition of the Columbia Energy Group were referring to non-gas prices. The evidence supporting this contention is inherent in the fact that Bay State did not file for a base rate increase following this acquisition, which occurred in 1999, until May 2005. Therefore, due to the aggressive cost management techniques employed by Bay State and NiSource during the period between 1999 and 2005, Bay State's customers enjoyed stable prices (i.e., base rates).

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
FIRST SET OF INFORMATION REQUESTS FROM THE DTE
D.T.E. 06-31

Date: July 24, 2006

Responsible: Stephen H. Bryant, President

DTE-BSG-1-7 Refer to BSG-1, at 19. Is it the Company's position that if a company meets the Department's service quality standards, such compliance is sufficient to establish that the company is providing quality service to its ratepayers?

RESPONSE: Mr. Bryant believes that it is the Department's jurisdictional responsibility to establish the appropriate service quality standards, while it is the Company's responsibility to determine how best to meet those standards in such a way that achieves the intended efficiencies of the PBR Plan and allows for optimal customer service while maintaining operational flexibility and reasonable Company earnings. If the Company is able to meet those standards under those circumstances, then it will both avoid service quality penalties and appropriately serve its customers.

The Department's current service quality measures, benchmarks, and penalty structure are both reasonable and appropriate for ensuring that Bay State's service quality is maintained and protected.

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
FIRST SET OF INFORMATION REQUESTS FROM THE DTE
D.T.E. 06-31

Date: July 24, 2006

Responsible: Stephen H. Bryant, President

DTE-BSG-1-9 Refer to Exh. BSG-1, at 22-23. Please provide all studies, analyses, etc. supporting the Company's contention that customers view the automated call-back system as beneficial. As part of this response, discuss whether customers prefer to speak with live operators.

RESPONSE: The automated call back system referenced in Mr. Bryant's testimony, also known as Virtual Hold, allows Bay State's customers an additional customer service option when the Company's Contact Center is experiencing peak period call volumes. Without this option, customers would otherwise have to remain on the line or lose their place in the queue and call back later. The Virtual Hold option is triggered automatically when the queue wait time exceeds 1 minute and 45 seconds. By taking advantage of this option, customers are able to receive a call back from a live operator, while maintaining their place in the queue. Therefore, it is Bay State's business judgment that the Virtual Hold option is a best industry practice for managing wait times during peak period call volumes. Virtual Hold is being used by over 30 other utilities nationwide. Bay State does not know, as a general matter, whether customers "prefer" to speak with a live CSR on the first attempt. However, the Department requires that Bay State provide adequate, reliable, least cost service. This means that Bay State must balance the reasonable needs of its customers with the cost to obtain those objectives every day.

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
FIRST SET OF INFORMATION REQUESTS FROM THE DTE
D.T.E. 06-31

Date: July 24, 2006

Responsible: Stephen H. Bryant, President

DTE-BSG-1-10 Refer to Exh. BSG-1, at 9, lines 17-18. Provide any printed information or plans regarding the business model Bay State and NiSource has implemented. As part of this response, discuss the overall management objectives of NiSource.

RESPONSE: Please see Attachment DTE-BSG-1-10 (A) for a copy of pages 23-25 of NiSource's 2005 10K. In particular, Item 7 – Management's Discussion and Analysis of Financial Conditions and Results, includes a discussion of NiSource's overall business plan (i.e., the Four Point Platform for Growth), and a 2006 Outlook. The business plan includes the following four key management objectives: (1) expansion and commercial growth in the pipeline and storage business, (2) regulatory and commercial initiatives, (3) financial management, and (4) process and expense management. These four objectives are the foundation upon which NiSource (and therefore Bay State) have built the transformation business model that is reflected in the current organizational structure and budgeting processes. In addition, Bay State continues to research this request and will supplement this response when additional information has been compiled.

Attachment DTE-BSG-1-10 (B) includes a copy of NiSource's current organizational chart showing senior management levels at both NiSource and Bay State.

See the Company's response to UWUA-1-7 for a description of Bay State's capital and operations budgeting processes.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(continued)**NiSOURCE INC.**

The effective date for this change was February 8, 2006. Through this new law, the FERC was granted many of the oversight provisions previously held by the SEC.

For the year ended December 31, 2005, NiSource reported income from continuing operations before the cumulative effect of a change in accounting principle of \$283.6 million, or \$1.05 per basic share, compared with income from continuing operations before the cumulative effect of a change in accounting principle of \$431.0 million, or \$1.63 per basic share, for 2004. The decrease in earnings was primarily the result of \$82.8 million of pre-tax restructuring and transition costs incurred in connection with an outsourcing agreement with IBM initiated during 2005, a \$108.6 million pre-tax loss on early extinguishment of long-term debt, asset impairment charges of \$21.8 million and other factors discussed below.

Operating results for 2005 were also adversely impacted by higher depreciation expense, primarily from the 2004 expiration of the prior regulatory stipulation for Columbia of Ohio; decreased usage of natural gas by utility customers, driven in part by higher gas prices; incremental costs associated with the MISO in NiSource's Indiana electric market; and lower net revenues in the gas transmission and storage business due primarily to the 2004 renegotiation of contracts with NiSource pipelines' major customers, net of remarketing activities. These impacts were partially offset by increases in net revenues from Gas Distribution and Electric Operations, primarily driven by favorable weather versus a year ago, regulatory initiatives including trackers and increased electric sales to residential and commercial customers, and improved results from Whiting Clean Energy. These factors are discussed in more detail within the following discussions of "Results of Operations" and "Results and Discussion of Segment Operations."

Natural gas prices on the wholesale market hit all-time highs in late 2005 due to a national imbalance between supply and demand that was complicated by the unusually active hurricane season. The higher natural gas prices contributed to lower natural gas usage by customers, which in turn affected NiSource's results, particularly in Gas Distribution Operations.

While Hurricanes Katrina and Rita were disruptive, they did not cause severe damage to NiSource's pipelines, and the costs of repairing damage to pipeline facilities did not have a material impact on NiSource's 2005 results.

Contributing to the decline in EPS was an increase in the average number of shares outstanding at December 31, 2005, compared to the year earlier, due primarily to the issuance of approximately 6.8 million shares of common stock upon the settlement of the forward stock purchase contracts associated with the SAILSsm on November 1, 2004.

Four-Point Platform for Growth

NiSource made significant progress during 2005 on each of its four key initiatives to build a platform for long-term, sustainable growth: expansion and commercial growth in the pipeline and storage business; regulatory and commercial initiatives; financial management; and process and expense management.

Expansion and Commercial Growth in the Pipeline and Storage Business. NiSource's Columbia Transmission launched an open season for a proposed expansion of its natural gas transmission system in the growing Mid-Atlantic markets. This Eastern Market expansion is moving forward to a 2009 in-service date, based on definitive agreements with four East Coast customers. The Eastern Market expansion is a development project to expand existing Mid-Atlantic storage and transmission assets to provide almost 100,000 Dth/day of storage for eastern growth markets. Millennium, which is targeting a fourth quarter of 2007, in-service date, filed an amended certificate application with the FERC in August 2005. Also in August, Millennium signed Consolidated Edison and KeySpan as anchor customers. The Hardy Storage project is on track to develop a natural gas storage field from a depleted natural gas production field in Hardy and Hampshire Counties, West Virginia. Hardy Storage, which is being jointly developed by Columbia Transmission and a subsidiary of Piedmont, filed its formal project application with the FERC in April 2005, and received a favorable order on November 1, 2005. Construction should begin as scheduled early in 2006 and storage injections by project customers are scheduled as early as the spring of 2007.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(continued)**NiSOURCE INC.**

Regulatory and Commercial Initiatives. As a regulated company, NiSource is exposed to regulatory risk and manages this risk by monitoring its operations and working with various regulatory bodies to maintain a business that continues to provide value for its customers and stockholders in this changing environment. During 2005, NiSource continued to make progress with regulatory and commercial initiatives.

On March 29, 2005, the PSC approved a renewed pilot program for Columbia of Kentucky authorizing the continuation of the Customer Choicesm Program. The renewed program provides residential and small commercial customers the option to choose their natural gas supplier while avoiding the stranded costs to Columbia of Kentucky that would have resulted under the previous pilot. In addition, Columbia of Kentucky received approval from the PSC to implement programs that provide Columbia of Kentucky with the opportunity to stabilize wholesale costs for gas during the winter heating season and share certain cost savings with customers.

On November 30, 2005, Bay State received approval from the Massachusetts DTE to increase its rates by \$11.1 million. The Massachusetts DTE also approved Bay State's request for a performance based rate plan but denied the request for cost recovery of a steel infrastructure replacement program.

Refer to the "Results and Discussion of Segment Operations" for a complete discussion of Regulatory matters.

Financial Management. During 2005, NiSource refinanced \$2.4 billion in long-term debt that will yield approximately \$43 million in annual interest savings beginning in 2006. In September 2005, NiSource Finance issued \$450 million of 5.25% 12-year unsecured notes that mature September 15, 2017 and \$550 million of 5.45% 15-year unsecured notes that mature September 15, 2020. The proceeds were used in part to redeem \$900 million of NiSource Finance notes on November 15, 2005. Additionally, on November 28, 2005, NiSource Finance issued \$900 million in senior notes, the proceeds of which, along with other funding sources, were used to refinance \$1.1 billion of Columbia senior unsecured notes that became callable on November 28, 2005.

In March 2005, NiSource entered into a \$1.25 billion revolving credit agreement to fund future working capital requirements and other corporate needs. The new five-year agreement replaced previous agreements and reduced interest expense by approximately \$0.5 million during 2005. It is expected to reduce interest expense by approximately \$1.2 million annually beginning in 2006.

In addition, NiSource put in place a new \$300 million short-term credit facility during November 2005. This new facility has significantly bolstered the company's liquidity position. NiSource ended the year with \$626.5 million of unused credit facilities.

Process and Expense Management. In June 2005, NiSource Corporate Services and IBM signed a definitive agreement to provide a broad range of business process and support services to NiSource. The 10-year agreement is expected to deliver approximately \$395 million in net savings, after costs to achieve this transition and transformation of systems, in operating and capital costs across NiSource's 15 primary operating subsidiaries over the course of the contract, as well as provide new tools and technology advances and enhanced service capabilities. Included in the transformation process during 2005 and 2006 are major projects in Human Resources, Finance and Accounting, Supply Chain, Gas Management, Operations and Meter to Cash. The identified net savings do not include efficiencies and other benefits from a three-year project to implement common work management solutions (WMS) and geographical information systems (GIS) across operations.

During December 2005 and extending into 2006, NiSource initiated a corporate streamlining effort that will include reducing office locations, realigning executive compensation and reducing executive positions.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(continued)**NiSOURCE INC.**2006 Outlook

Consistent with the 2006 guidance included within the press release issued on January 31, 2006, NiSource's 2006 projection for income from continuing operations is in the range of \$1.42 to \$1.52 basic earnings per share. This projection is based on typical assumptions such as normal weather, customer growth offsetting usage declines, and customary increases in costs such as depreciation, taxes and employee and administrative expenses. Other factors built into NiSource's business plan include: the successful completion of key regulatory and commercial initiatives; achieving expected savings from the outsourcing to IBM; deferral of MISO costs beginning August 1, 2006, and modest deterioration of results from Whiting Clean Energy, which benefited from a strong market during the summer 2005 period.

NiSource expects additional transition costs associated with the outsourcing initiative with IBM of approximately \$14 — \$15 million, or 3 cents per basic share. This expectation is included in the earnings projection above.

Higher natural gas prices that contributed to the natural gas usage decline during 2005 may continue to impact 2006 results.

NiSource also intends to increase the level of capital expenditures and other investing activities during 2006. For 2006, the projected capital program is expected to be \$638.2 million, which is \$39.2 million higher than the 2005 level. This higher spending is mainly due to an increase in expenditures for integrity-management improvements in the pipeline segment and expenditures to replace key components within electric generation in addition to new business projects. The program is expected to be funded primarily via cash from operations.

Ethics and Controls

NiSource has always been committed to providing accurate and complete financial reporting as well as requiring a strong commitment to ethical behavior by its employees. During 2005, NiSource tested all significant controls across its financial processes and NiSource's management has concluded that the company's internal control over financial reporting was effective as of the end of the period covered by this Form 10-K. Refer to "Management's Report on Internal Controls Over Financial Reporting" included in Item 9A. NiSource's senior management takes an active role in the development of this Form 10-K and the monitoring of the company's internal control structure and performance. In addition, NiSource will continue the mandatory ethics-training program in which employees at every level and in every function of the organization participate.

Results of Operations

The Consolidated Review information should be read taking into account the critical accounting policies applied by NiSource and discussed in "Other Information" of this Item 7.

Income from Continuing Operations and Net Income

For the twelve months ended December 31, 2005, NiSource reported income from continuing operations before cumulative effect of change in accounting principle of \$283.6 million, or \$1.05 per basic share, compared to \$431.0 million, or \$1.63 per basic share in 2004. Income from continuing operations before the cumulative change in accounting principle for the twelve months ended December 31, 2003 was \$426.9 million, or \$1.64 per basic share.

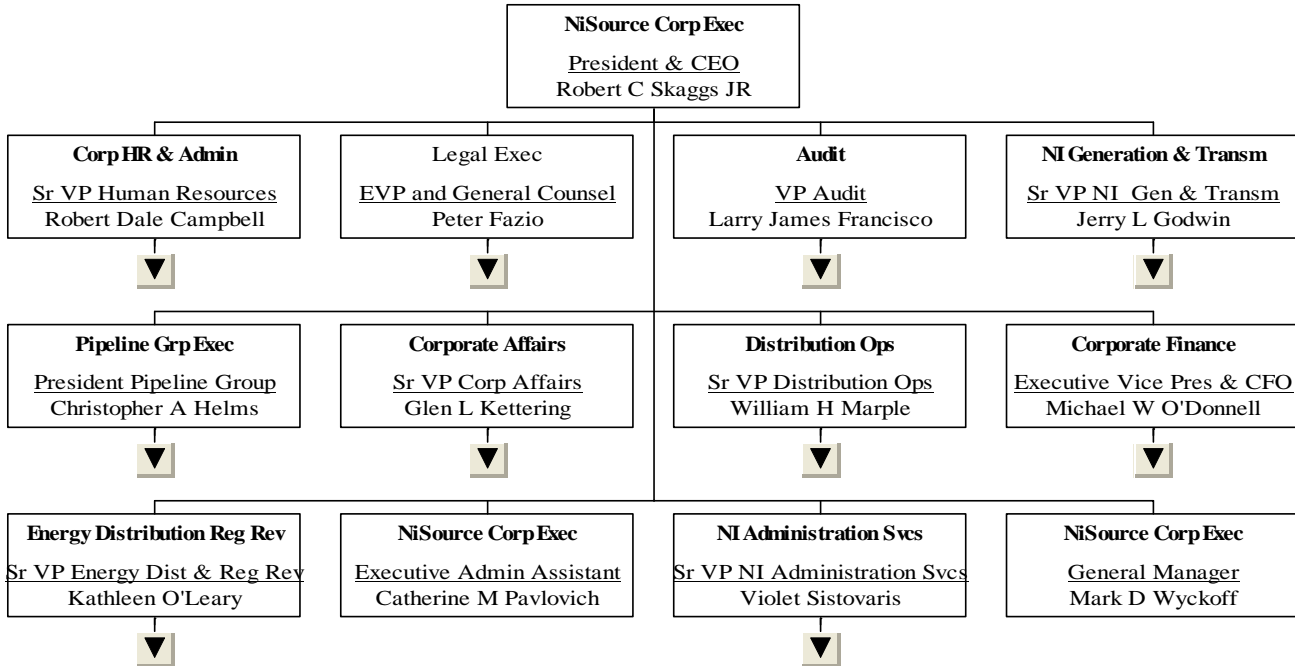
Including results from discontinued operations and the change in accounting principle, NiSource reported 2005 net income of \$306.5 million, or \$1.13 per basic share, 2004 net income of \$436.3 million, or \$1.65 per basic share, and 2003 net income of \$85.2 million, or \$0.33 per basic share.

Net Revenues

Total consolidated net revenues (gross revenues less cost of sales) for the twelve months ended December 31, 2005 were \$3,149.8 million, a \$98.0 million increase compared with 2004. The change was driven by \$64.3 million increase in Gas Distribution Operations net revenues, \$34.9 million increase in Electric Operations net revenues and \$20.4 million in increased net revenues from Other Operations, partially offset by decreased revenues of \$21.9 million from Gas Transmission and Storage Operations. Favorable weather during 2005 as compared to 2004 drove approximately \$24 million and \$27 million of the increases for Gas Distribution Operations and Electric Operations, respectively. Net revenues also improved due to overall increased regulatory and non-regulatory tracker revenues of \$33.6 million which are offset in operating expenses, increased residential and commercial customers and increased overall customer usage within Electric Operations contributing approximately \$24.4 million, improved results from

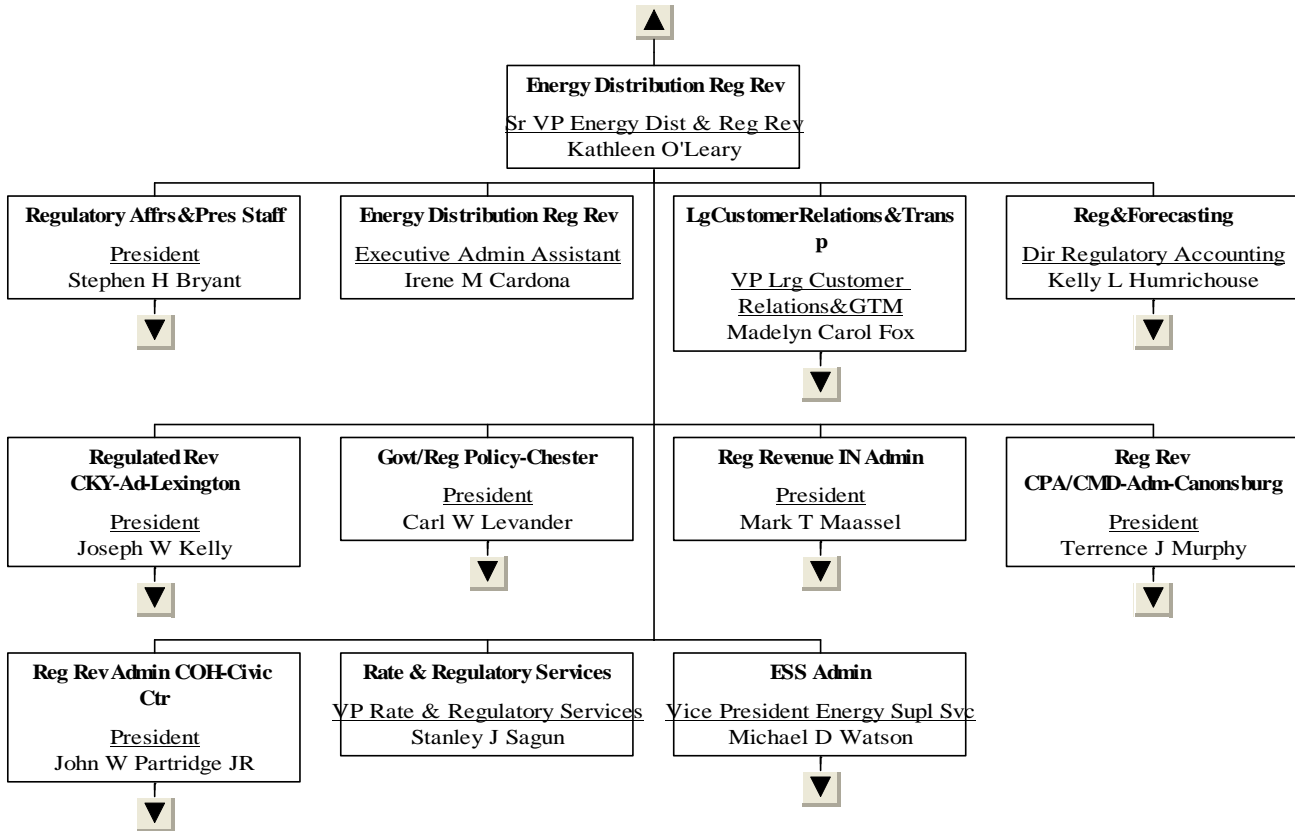
NiSource Organization

July 11, 2006



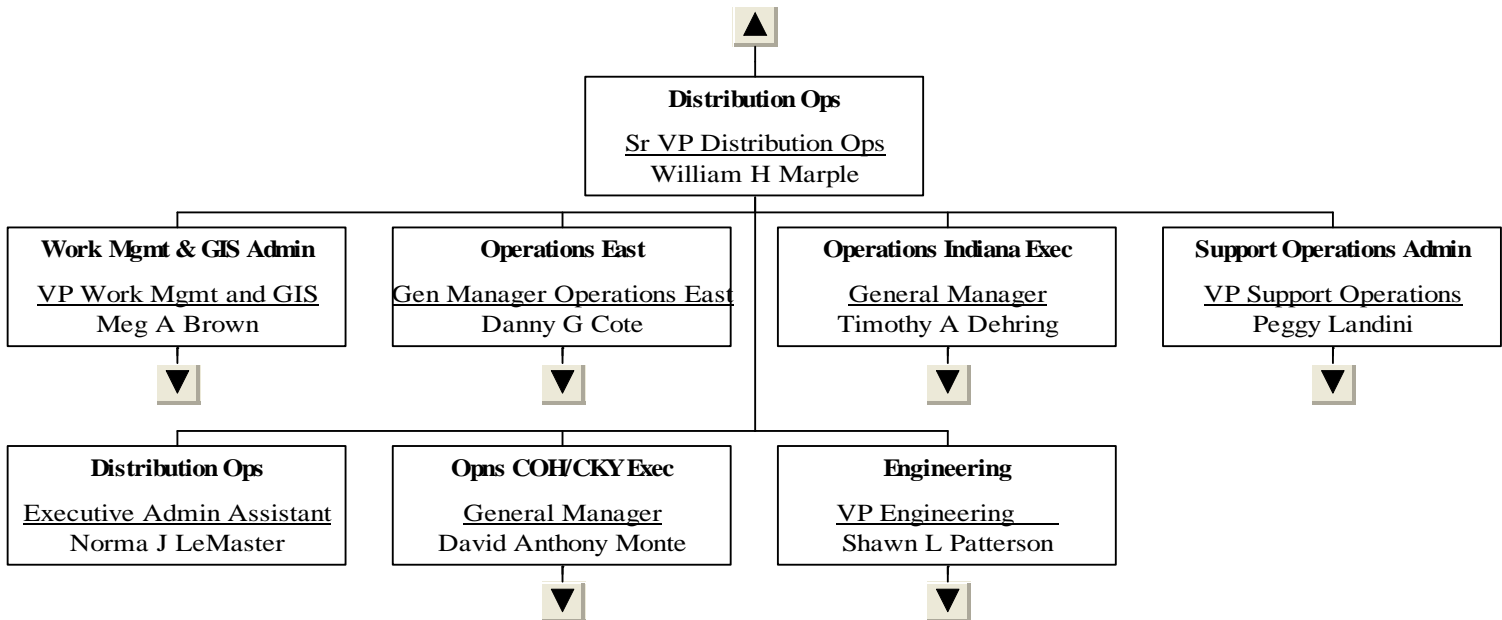
NiSource Organization

July 11, 2006



NiSource Organization

July 11, 2006



COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
FIRST SET OF INFORMATION REQUESTS FROM THE DTE
D.T.E. 06-31

Date: July 24, 2006

Responsible: Stephen H. Bryant, President

DTE-BSG-1-11 Refer to Exh. BSG-1, at 10, lines 1-2. Provide any printed information or plans discussing the policies and goals established by NiSource and Bay State senior management.

RESPONSE: Please see the Company's response to DTE-BSG-1-10 for copies of printed materials related to NiSource's current business plan. This business plan establishes both NiSource and Bay State's goals for the foreseeable future.

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
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D.T.E. 06-31

Date: July 24, 2006

Responsible: Stephen H. Bryant, President

DTE-BSG-1-12 Refer to Exh. BSG-1, at 11, line 15. Describe the Company's
workforce optimization practices, providing examples.

RESPONSE: Bay State employs a number of different tools and techniques to
ensure appropriate workforce optimization throughout the
organization.

For example, as part of each annual capital budgeting process, the Company's Engineering Group reviews the size and location of the construction projects forecast during the coming year, including the work associated with the Steel Infrastructure Replacement project. The Engineering Group then recommends what projects should be scheduled. Upon approval, the Operations Group then identifies the level of internal and external resources necessary to perform such construction work based on past experience, the nature of the work, geographic location, etc., and then schedules the work in a manner that optimizes efficiencies.

A second example occurs at its Springfield Contact Center, where the Company employs sophisticated Workforce Management processes that take into account current call volume trends, gas costs, technology changes, service quality benchmarks and how other department activities will impact the Contact Center's call flow patterns. This information is fed into the Company's Workforce Management System yearly, monthly, and on a daily basis to ensure correct staffing levels are achieved.

A third example relates to scheduling service work, meter work and emergency calls. The Company's Logistic Group uses a schedule board to match available manpower to workload, with the goal of ensuring all appointments are met as scheduled while minimizing overtime. Such variables that are considered are the work order volume, location of work, time of each appointment, time of year, past experience with work volumes, and coordination with such other departments as Billing Exceptions, the Contact Center, Metering and Service.

COMMONWEALTH OF MASSACHUSETTS
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RESPONSE OF BAY STATE GAS COMPANY TO THE
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Date: July 24, 2006

Responsible: Stephen H. Bryant, President

DTE-BSG- 1-13 Refer to Exh. BSG-1, at 14, line 16. Provide, in chart form, what the Company believes to be an "adequate staffing" level for each of Bay State's divisions. Also include in this chart Bay State's current staffing levels for each division.

RESPONSE: Please see Attachment DTE-BSG-1-13 for the requested chart related to Bay State's current actual full time staffing levels by division and business function.

Based on its business judgment and utility expertise, Bay State believes its current mix of actual full time staffing levels and outside contractors is adequate to most cost effectively and efficiently accomplish objectives of adequate, safe, reliable and least cost service, within the parameters of the Department's service quality benchmarks, and in light of available technology, current bargaining unit agreements, weather conditions, overtime levels, employee work experience, age of infrastructure, customer demand, and existing regulatory requirements and other considerations. However, the Company notes that what may be adequate staffing levels today could change in the future as business conditions change. Such considerations justify why the Company advocates that the Department's focus appropriately be on establishing and governing service quality measures, benchmarks and penalties to ensure customer service and performance.

					Total Mass
Bay State Gas Company					
Current Staffing Levels by Division					
Actuals as of June 30, 2006					
	Brockton	Springfield	Lawrence	Westboro	
Distribution	78	54	12		144
Meter	18	25	14		57
Customer Service	55	25	14		94
Admin	1	1	1	1	4
Northern Management	0				
Total Field Operations	152	105	41	1	299
System Operations	16	12	4	1	33
Facilities	1	3		3	7
Meter Shop		8			8
Instrumentation	2	1		1	4
Construction	4	2	1	1	8
Operations Exec Admin				2	2
Total Other Operations	23	26	5	8	62
Operations Totals	175	131	46	9	361
Tech Ops-GIS-Maps	3	1	1		5
Engineering	3	3		2	8
Total Tech Ops	6	4	1	2	13
Dispatch	11				11
Scheduling	3	3	1		7
Data Entry	4				4
Support Ops Admin				1	1
Total Support Operations	18	3	1	1	23
Meter Reading	4	4	3		11
Field Collections	6	3	3		12
Total Meter to Cash	10	7	6	0	23
President & Regulatory Affairs			1	5	6
Communications	1	1			2
Cares				1	1
DSM				4	4
Total President & Staff	1	1	1	10	13
Call Center		65			65
Billing	20				20
Revenue Recovery		9			9
NE Retail Services & Sales	3	1		1	5
Sales Key Accounts		1			1
Fleet	7	5			12
Stores	3	4	2		9
Energy Supply		1			1
Total Location	243	232	57	23	555

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D.T.E. 06-31

Date: July 24, 2006

Responsible: Stephen H. Bryant, President

DTE-BSG-1-14 Refer to Exh. BSG-1, at 16, lines 19-20. Provide the exact number of "redundant staff" that were eliminated due to the NiSource acquisition of Columbia. Also, provide a corresponding list of the positions that were eliminated and the location of the employees that filled the redundant positions.

RESPONSE: As the Department might expect, Bay State is unable to provide an exact number of "redundant staff," eliminated due to the NiSource acquisition of the Columbia Energy Group, or CEG.

By way of explanation, first, Bay State refers to its staffing requirements as filled by "full time equivalent" or FTE. The increase or reduction in such numbers corresponds to required staffing levels to provide safe and reliable utility service. Second, there is no one-for-one correlation of FTEs that could be called redundant because of the many reorganizations NiSource accepted as part of the challenges in taking multiple multi-state companies and reshaping them into a single corporation made of many regulated entities served by a single service company, NCSC. For example, the equivalent of the current Regulatory Accounting group, which assists in such matters as the compilation of gas cost and rate case filings, used to serve Bay State, as well as Northern's Maine Division and its New Hampshire Division prior to the NiSource and CEG merger. However, this group now serves NiSource's Energy Distribution Group, including Bay State, Northern's Maine Division, Northern's New Hampshire Division, Columbia Gas of Kentucky, Columbia Gas of Maryland, Columbia Gas of Pennsylvania and Columbia Gas of Virginia. As a result of this expanded and centralized responsibility, certain function previously located in Bay State's territory are now consolidated to one location within the NiSource organization. Most of the consolidations for redundancy took place in administrative and general (A&G) functions, such as Regulatory Accounting, General Accounting, Finance, Tax, etc. Most FTEs in NCSC are located in Columbus, Ohio.

In addition, Bay State is still researching this request to ensure that no further analysis will yield a more complete answer. If

further information is developed or discovered, Bay State will supplement this response when the information has been compiled.